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ECONOMICS

(Major)

Paper : 5.4

Full Marks : 60

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Answer the following as directed : $1 \times 7 = 7$

(a) What, according to Ricardo, was the basis for international trade?

(b) State 'True' or 'False' :

Ohlin introduced the element of 'space' to the factor endowment analysis to extend it to the general equilibrium analysis.

(c) Choose the correct answer :

In Heckscher-Ohlin model, factor abundance is defined in terms of which of the following?

(i) Physical quantities of factors

(ii) Factor prices

(iii) Both (i) and (ii)

(iv) None of the above

- ✓(d) Define offer curve.
- (e) What will be the likely effect of a technical progress which is biased towards country's import-competing goods sector on its terms of trade?
- (f) Mention one particular situation which can be termed as a favourable development in terms of trade of a country.
- (g) What is the effect of imposition of a tariff on a nation's offer curve?

2. Answer the following :

2×4=8

- ✓(a) What is gain from trade?
- ✓(b) Distinguish between ad valorem duty and specific duty.
- ✓(c) What is Leontief paradox?
- (d) What does a reversal in factor intensities imply?

3. Answer any *three* of the following :

5×3=15

- ✓(a) Elaborate the concept of 'comparative cost advantage' with a suitable numerical example.
- (b) Define utility terms of trade using usual notations. What does it signify?

- (c) Distinguish between the two concepts of 'factor endowment' and 'factor intensity' as propounded by Heckscher and Ohlin.
- (d) What role does elasticity of offer curve play in determining the optimum tariff of a country?
- (e) Compare and contrast the two protective measures of tariff and quota.

4. Answer any *three* of the following : $10 \times 3 = 30$

- (a) Elucidate the statement—"Factor endowments theory supplements the comparative cost theory and does not supplant it".
- (b) Discuss the role of international trade as an engine of economic growth.
- (c) Distinguish between single-factor intensity reversal and multiple-factor intensity reversal using suitable diagrams.
- (d) How are changes in a country's terms of trade measured? What are the difficulties encountered here?

(e) Explain the effects of import quotas in the framework of partial equilibrium analysis.

(f) What is trade policy? What are the different arguments put forward in favour of protection?
